

**JEFFERSON-SCRANTON
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2006 Election)

Sam Harding	President	2008
David Pedersen	Vice President	2006
Mike Holden		2006
Teresa Hagen		2008
LuAnn Carlson		2007

(After September, 2006 Election)

David Pedersen	President	2009
Teresa Hagen	Vice President	2008
Mike Holden		2009
Sam Harding		2008
LuAnn Carlson		2007

School Officials

Michael Haluska	Superintendent
Brenda Muir	District Secretary
Sid Jones	District Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Jefferson-Scranton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Jefferson-Scranton Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jefferson-Scranton Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 29, 2008 on our consideration of Jefferson-Scranton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 36 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson-Scranton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

January 29, 2008

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Jefferson-Scranton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$9,546,621 in fiscal year 2006 to \$9,530,141 in fiscal year 2007, while General Fund expenditures increased from \$9,775,742 in fiscal year 2006 to \$9,832,511 in fiscal year 2007.
- General Fund revenues were relatively unchanged in all areas. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The decrease in the undesignated unreserved General Fund balance is primarily attributable to inadequate funding increases necessary to keep up with increasing costs.
- The District continues its sharing arrangement with Paton-Churdan Community School District for grades 9-12 for a half day of education - students from Paton-Churdan are transported to Jefferson-Scranton High School.
- The District continued its 28E sharing agreement with East Greene Community School District for Vocational Agriculture, Industrial Technology, and other high school courses. The Jefferson-Scranton District has an average of 50-60 students from East Greene taking classes each semester.

The District passed the School Infrastructure Local Option Sales Tax for Greene County. The tax was implemented July 1, 2004. Proceeds are being used for various projects throughout the District as well as property tax relief. The District discontinued levying the Physical Plant and Equipment Levy property tax.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Gilmore City-Bradgate Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gilmore City-Bradgate Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Gilmore City-Bradgate Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Jefferson-Scranton Community School District Annual Financial Report

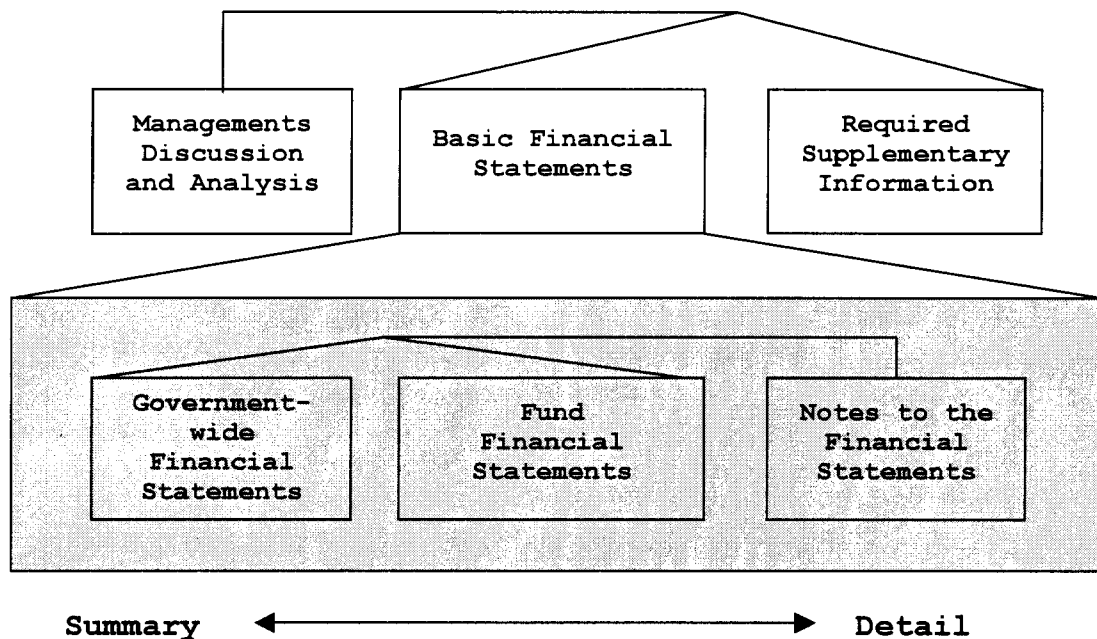


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and ending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Community Education Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Current assets	6,535	7,013	180	132	6,715	7,145	-6.02%
Capital assets	6,218	6,016	44	54	6,262	6,070	3.16%
Total assets	<u>12,753</u>	<u>13,029</u>	<u>224</u>	<u>186</u>	<u>12,977</u>	<u>13,215</u>	<u>-1.80%</u>
Current liabilities	5,814	5,998	-	1	5,814	5,999	-3.08%
Non-current liabilities	1,503	1,936	-	-	1,503	1,936	-22.37%
Total liabilities	<u>7,317</u>	<u>7,934</u>	<u>-</u>	<u>1</u>	<u>7,317</u>	<u>7,935</u>	<u>-7.79%</u>
Net Assets							
Invested in capital assets, net of related debt	4,779	4,482	44	54	4,823	4,536	6.33%
Restricted	176	183	-	-	176	183	-3.83%
Unrestricted	481	430	180	131	661	561	17.83%
Total net assets	<u>5,436</u>	<u>5,095</u>	<u>224</u>	<u>185</u>	<u>5,660</u>	<u>5,280</u>	<u>7.20%</u>

Unrestricted net assets increased by over \$100,000, primarily as a result of increases in the Student Activity and Industrial Technology Enterprise Funds.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Change in Net Assets
(Expressed in Thousands)

Governmental Activities		Business type Activities		Total District		Total Change
2007	2006	2007	2006	2007	2006	2006-07
\$	\$	\$	\$	\$	\$	%
Revenues:						
Program revenues:						
738	657	531	434	1,269	1,091	16.32%
1,556	1,563	226	224	1,782	1,787	-0.28%
General revenues:						
3,841	3,797	-	-	3,841	3,797	1.16%
273	280	-	-	273	280	-2.50%
624	518	-	-	624	518	20.46%
4,123	4,173	-	-	4,123	4,173	-1.20%
24	33	-	-	24	33	-27.27%
39	(15)	-	-	39	(15)	360.00%
<u>11,218</u>	<u>11,006</u>	<u>757</u>	<u>658</u>	<u>11,975</u>	<u>11,664</u>	<u>2.67%</u>
Program expenses:						
Governmental activities:						
6,719	6,967	-	-	6,719	6,967	-3.56%
3,289	3,263	-	-	3,289	3,263	0.80%
10	10	717	689	727	699	4.01%
860	1,008	-	-	860	1,008	-14.68%
<u>10,878</u>	<u>11,248</u>	<u>717</u>	<u>689</u>	<u>11,595</u>	<u>11,937</u>	<u>-2.87%</u>
Business type activities:						
340	(242)	40	(31)	380	(273)	239.19%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$11,217,829 and expenses were \$10,877,589.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services		Net Change	Net Cost of Services		Net Change
	2007	2006	2006-07	2007	2006	2006-07
	\$	\$	%	\$	\$	%
Instruction	6,719	6,967	-3.56%	4,811	5,112	-5.89%
Support Services	3,289	3,263	0.80%	3,267	3,254	0.40%
Non-instructional programs	10	10	0.00%	10	10	0.00%
Other expenses	860	1,008	-14.68%	496	653	-24.04%
Totals	10,878	11,248	-3.29%	8,584	9,029	-4.93%

- The cost financed by users of the District's programs was \$737,825.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$817,169.
- The net cost of governmental activities was financed with \$3,840,605 in property tax, \$4,122,790 in state foundation aid, and \$24,620 in interest income.

Business Type Activities

Revenues of the District's business type activities were \$756,733 and expenses were \$717,080. The District's business type activities include the School Nutrition and Industrial Technology Construction Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted the Jefferson-Scranton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,435,874, seven percent greater than last year's ending fund balances of \$5,095,634.

Governmental Fund Highlights

- The District attempted to maintain its General Fund balance by cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items. However, property tax rollbacks plus inadequate state aid increasing caused the District's General Fund to decrease by over \$300,000.
- The collection of the local option sales tax has allowed the District to discontinue its Physical Plant and Equipment Levy property tax asking.

Proprietary Fund Highlights

The District was able to sell another student built house. The Nutrition Fund struggles to maintain a positive balance given increases in food and salary costs. The District has attempted to maintain prices at a reasonable level.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service and Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$43,000 less than the total budgeted receipts. The most significant change resulted in the District receiving less in state funding than originally anticipated.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the District has invested more than \$6.2 million, net of accumulated depreciation, in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$425,000.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Land	70	70	-	-	70	70	0.00%
Land improvements	206	237	-	-	206	237	-13.08%
Buildings	4,964	4,890	-	-	4,964	4,890	1.51%
Furniture and equipment	978	819	44	54	1,022	873	17.07%
Totals	<u>6,218</u>	<u>6,016</u>	<u>44</u>	<u>54</u>	<u>6,262</u>	<u>6,070</u>	<u>3.16%</u>

Long - Term Debt

The \$2.2 million dollar bond issue will mature June, 2010. The District's energy notes were paid off 2007. The District's capital leases will be paid off over the next five years.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
	\$	\$	
General obligation bonds	1,170	1,510	-22.52%
Leases and notes payable	<u>269</u>	<u>232</u>	<u>15.95%</u>
Total	<u>1,439</u>	<u>1,742</u>	<u>-17.39%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT' FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District is experiencing decreasing enrollment the past several years.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired). A solution needs to be found.
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- Voters in Greene County approved a 1 cent School Infrastructure Local Option (SILO) Sales tax in September 2003. The Greene County SILO tax went into effect on July 1, 2004. This has allowed the District to decrease property tax askings.
- Increased course sharing with the East Greene Community School District at the high school level will provide additional income.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brenda Muir, District Secretary, Jefferson-Scranton Community School District, 204 W Madison St, Jefferson, IA 50129.

Basic Financial Statements

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	274,134	78,452	352,586
ISCAP investments	1,741,474	-	1,741,474
Receivables:			
Property tax:			
Current year	64,246	-	64,246
Succeeding year	3,830,709	-	3,830,709
Income surtaxes	236,342	-	236,342
Due from other governments	355,422	-	355,422
Other receivables	14,841	199	15,040
ISCAP accrued interest receivable	17,550	-	17,550
Inventories	-	101,709	101,709
Capital assets, net of accumulated depreciation (note 3)	6,218,053	44,078	6,262,131
Total assets	<u>12,752,771</u>	<u>224,438</u>	<u>12,977,209</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	33,672	-	33,672
Accrued salary and benefits	176,552	-	176,552
Accrued interest payable	4,152	-	4,152
ISCAP warrants payable (note 10)	1,745,000	-	1,745,000
ISCAP accrued interest payable (note 10)	24,167	-	24,167
Deferred revenue:			
Succeeding year property tax	3,830,709	-	3,830,709
Long term liabilities:			
Portion due within one year:			
Bonds payable	370,000	-	370,000
Early retirement	52,876	-	52,876
Capital lease payable	132,671	-	132,671
Portion due after one year:			
Bonds payable	800,000	-	800,000
Early retirement	11,193	-	11,193
Capital lease payable	135,905	-	135,905
Total liabilities	<u>7,316,897</u>	<u>-</u>	<u>7,316,897</u>
Net assets:			
Invested in capital assets, net of related debt	4,779,477	44,078	4,823,555
Restricted for:			
Management levy	5,108	-	5,108
Capital projects	132,874	-	132,874
Debt service	37,503	-	37,503
Unrestricted	480,912	180,360	661,272
Total net assets	<u>5,435,874</u>	<u>224,438</u>	<u>5,660,312</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:	6,719,098	730,895	1,176,935	(4,811,268)	-	(4,811,268)
Support services:						
Student services	369,226	-	-	(369,226)	-	(369,226)
Instructional staff services	158,277	-	-	(158,277)	-	(158,277)
Administration services	1,149,767	-	-	(1,149,767)	-	(1,149,767)
Operation and maintenance of plant services	1,113,984	-	15,360	(1,098,624)	-	(1,098,624)
Transportation services	497,743	6,930	-	(490,813)	-	(490,813)
	3,288,997	6,930	15,360	(3,266,707)	-	(3,266,707)
Non-instructional programs						
Community service operations	10,000	-	-	(10,000)	-	(10,000)
Other expenditures:						
Facilities acquisition and construction	30,510	-	7,380	(23,130)	-	(23,130)
Long-term debt interest	60,960	-	1,971	(58,989)	-	(58,989)
Long-term debt services	300	-	-	(300)	-	(300)
AEA flowthrough	353,856	-	353,856	-	-	-
Depreciation (unallocated) *	413,868	-	-	(413,868)	-	(413,868)
	859,494	-	363,207	(496,287)	-	(496,287)
Total governmental activities	10,877,589	737,825	1,555,502	(8,584,262)	-	(8,584,262)

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions and Restricted Interest		Business Type Activities	
	Charges for Service		Governmental Activities	Total
Expenses				
\$	\$	\$	\$	\$
Business Type activities:				
Non-instructional programs:				
Nutrition services	481,990	231,766	-	(24,065)
Community education	235,090	298,808	-	63,718
Total	11,594,669	1,268,399	(8,584,262)	(8,544,609)
General revenues:				
Property tax levied for:				
General purposes			3,161,912	3,161,912
Management fund			281,084	281,084
Debt service			397,609	397,609
Income surtaxes			272,960	272,960
School infrastructure local option sales tax			624,053	624,053
Unrestricted state grants			4,122,790	4,122,790
Unrestricted investment earnings			24,620	24,620
Other			39,474	39,474
Total general revenue			8,924,502	8,924,502
Change in net assets			340,240	379,893
Net assets beginning of year			5,095,634	5,280,419
Net assets end of year			5,435,874	5,660,312

* This amount excludes the depreciation that is included in the direct expense of the various programs.
See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	2,553	31,201	1,719	238,661	274,134
ISCAP investments	1,741,474	-	-	-	1,741,474
Receivables:					
Property tax:					
Current year	52,929	6,220	-	5,097	64,246
Succeeding year	3,192,729	412,980	-	225,000	3,830,709
Income surtax - succeeding year	236,342	-	-	-	236,342
Due from other governments	120,786	-	234,636	-	355,422
Other receivables	10,321	82	-	4,438	14,841
Interfund receivable	70,000	-	-	-	70,000
ISCAP accrued interest receivable	17,550	-	-	-	17,550
Total assets	<u>5,444,684</u>	<u>450,483</u>	<u>236,355</u>	<u>473,196</u>	<u>6,604,718</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	-	-	33,481	191	33,672
Accrued salary and benefits	176,552	-	-	-	176,552
Interfund payable	-	-	70,000	-	70,000
ISCAP warrants payable (note 10)	1,745,000	-	-	-	1,745,000
ISCAP accrued interest payable (note 10)	24,167	-	-	-	24,167
Deferred revenue:					
Succeeding year property tax	3,192,729	412,980	-	225,000	3,830,709
Income surtax - succeeding year	236,342	-	-	-	236,342
Total liabilities	<u>5,374,790</u>	<u>412,980</u>	<u>103,481</u>	<u>225,191</u>	<u>6,116,442</u>
Fund balances:					
Reserved for debt service	-	37,503	-	-	37,503
Reserved for capital projects	-	-	132,874	-	132,874
Unreserved	69,894	-	-	248,005	317,899
Total fund balances	<u>69,894</u>	<u>37,503</u>	<u>132,874</u>	<u>248,005</u>	<u>488,276</u>
Total liabilities and fund balances	<u>5,444,684</u>	<u>450,483</u>	<u>236,355</u>	<u>473,196</u>	<u>6,604,718</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

Total fund balances of governmental funds (Exhibit C)		\$ 488,276
Amounts reported for governmental activities in the statement of net assets are different because:		
Income surtax receivable at June 30, 2007 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.		236,342
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		6,218,053
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(4,152)
Long-term liabilities, including bonds payable and capital loan notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	(1,170,000)	
Early retirement	(64,069)	
Capital leases payable	<u>(268,576)</u>	<u>(1,502,645)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 5,435,874</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,434,872	397,609	624,053	281,084	4,737,618
Tuition	698,915	-	-	-	698,915
Other	103,004	1,700	7,380	375,397	487,481
State sources	5,000,802	271	-	194	5,001,267
Federal sources	292,548	-	-	-	292,548
Total revenues	<u>9,530,141</u>	<u>399,580</u>	<u>631,433</u>	<u>656,675</u>	<u>11,217,829</u>
Expenditures:					
Instruction	<u>6,289,593</u>	<u>-</u>	<u>-</u>	<u>559,374</u>	<u>6,848,967</u>
Support services:					
Student services	369,226	-	-	-	369,226
Instructional staff services	158,277	-	-	-	158,277
Administration services	1,136,379	-	7,601	5,787	1,149,767
Operation and maintenance of plant services	1,032,148	-	15,113	66,723	1,113,984
Transportation services	<u>483,032</u>	<u>-</u>	<u>209,583</u>	<u>14,711</u>	<u>707,326</u>
	<u>3,179,062</u>	<u>-</u>	<u>232,297</u>	<u>87,221</u>	<u>3,498,580</u>
Non-instructional programs:					
Community service operations	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Other expenditures:					
Facilities acquisition and construction	-	-	436,953	-	436,953
Long-term debt:					
Principal	-	513,030	-	-	513,030
Interest	-	61,616	-	-	61,616
Services	-	300	-	-	300
AEA flowthrough	<u>353,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,856</u>
	<u>353,856</u>	<u>574,946</u>	<u>436,953</u>	<u>-</u>	<u>1,365,755</u>
Total expenditures	<u>9,832,511</u>	<u>574,946</u>	<u>669,250</u>	<u>646,595</u>	<u>11,723,302</u>

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	(302,370)	(175,366)	(37,817)	10,080	(505,473)
Other financing sources (uses):					
Proceeds from bus lease	-	-	209,583	-	209,583
Operating transfers in	-	178,633	-	-	178,633
Operating transfers out	-	-	(178,633)	-	(178,633)
	-	178,633	30,950	-	209,583
Excess (deficiency) of revenues and other financial sources over (under) expenditures	(302,370)	3,267	(6,867)	10,080	(295,890)
Fund balances beginning of year	372,264	34,236	139,741	237,925	784,166
Fund balances end of year	69,894	37,503	132,874	248,005	488,276

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit E) \$ (295,890)

Amounts reported for governmental activities in the
statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 616,026	
Depreciation expense	<u>(413,868)</u>	202,158

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(209,583)	
Repayments	<u>513,030</u>	303,447

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(20,013)	
Payments	<u>149,882</u>	129,869

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Change in net assets of governmental activities (Exhibit B) \$ 340,240

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets
Proprietary Funds

Year ended June 30, 2007

	School Nutrition	Industrial Technology Construction	Total
	\$	\$	\$
Assets			
Cash and pooled investments	13,893	64,559	78,452
Other receivables	199	-	199
Inventories	6,982	94,727	101,709
Capital assets, net of accumulated depreciation	44,078	-	44,078
Total assets	<u>65,152</u>	<u>159,286</u>	<u>224,438</u>
Net assets			
Invested in capital assets, net of related debt	44,078	-	44,078
Unrestricted	21,074	159,286	180,360
Total net assets	<u>65,152</u>	<u>159,286</u>	<u>224,438</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2007

	School Nutrition	Industrial Technology Construction	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for services	231,766	298,808	530,574
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	179,859	-	179,859
Benefits	28,338	-	28,338
Services	5,385	-	5,385
Supplies	251,324	-	251,324
Other	4,989	-	4,989
Depreciation	12,095	-	12,095
	481,990	-	481,990
Other enterprise operations:			
Other	-	235,090	235,090
	-	235,090	235,090
Total operating expenses	481,990	235,090	717,080
Operating income (loss)	(250,224)	63,718	(186,506)
Non-operating revenues:			
Interest on investments	413	-	413
State sources	6,080	-	6,080
Federal sources	219,666	-	219,666
	226,159	-	226,159
Change in net assets	(24,065)	63,718	39,653
Net assets beginning of year	89,217	95,568	184,785
Net assets end of year	65,152	159,286	224,438

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	School Nutrition	Industrial Technology Construction	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of services	231,567	298,808	530,375
Cash payments to employees for services	(209,357)	-	(209,357)
Cash payments to suppliers for goods or services	(233,577)	(235,090)	(468,667)
Net cash provided by (used in) operating activities	(211,367)	63,718	(147,649)
Cash flows from non-capital financing activities:			
State grants received	6,080	-	6,080
Federal grants received	196,156	-	196,156
Net cash provided by non-capital financing activities	202,236	-	202,236
Cash flows from capital financing activities:			
Payoff of bank loans	-	-	-
Acquisition of fixed assets	(2,258)	-	(2,258)
Net cash provided (used in) by capital financing activities	(2,258)	-	(2,258)
Cash flows from investing activities:			
Interest on investments	413	-	413
Net increase (decrease) in cash and cash equivalents	(10,976)	63,718	52,742
Cash and cash equivalents beginning of year	24,869	841	25,710
Cash and cash equivalents end of year	13,893	64,559	78,452
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(250,224)	63,718	(186,506)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:			
Depreciation	12,095	-	12,095
Commodities used	23,510	-	23,510
(Increase) in other receivables	(199)	-	(199)
Decrease(increase) in inventory	4,611	-	4,611
(Decrease) in accrued payroll and benefits	(1,160)	-	(1,160)
	(211,367)	63,718	(147,649)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash	13,893	64,559	78,452

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received federal commodities valued at \$23,510.

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2007

	Flex Spending Fund
	<u>\$</u>
Assets	
Cash	<u>4,553</u>
Total assets	<u>4,553</u>
Liabilities	
Other payables	<u>4,553</u>
Total liabilities	<u>4,553</u>
Net Assets	
Reserved for flex spending	<u><u>-</u></u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2007

	Flex Spending Fund <hr/> \$
Additions:	
Local sources:	
Miscellaneous	71,826
Deductions:	
Regular instruction:	
Benefits	<hr/> 70,210
Change in net assets	1,616
Net assets beginning of year	<hr/> 2,937
Net assets end of year	<hr/> <hr/> 4,553

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Jefferson-Scranton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Jefferson and Scranton, Iowa, and agricultural territory in Greene County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Jefferson-Scranton Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Jefferson-Scranton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Greene County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Enterprise, School Nutrition and Industrial Technology Construction Funds. These funds are used to account for the food service and student built house.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools, Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Interfund Receivable/Payable - The General Fund loaned \$70,000 to the Capital Projects to allow summer projects to be completed and paid for in a timely manner. The money will be repaid in August, 2007.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted in any of the four functions.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	69,762	-	-	69,762
Capital assets being depreciated:				
Improvements other than buildings	635,306	-	-	635,306
Buildings	9,004,478	252,149	-	9,256,627
Furniture and Equipment	3,323,917	363,877	70,245	3,617,549
Total capital assets being depreciated	12,963,701	616,026	70,245	13,509,482
Less accumulated depreciation for:				
Improvements other than buildings	397,688	31,765	-	429,453
Buildings	4,113,651	178,935	-	4,292,586
Furniture and Equipment	2,506,229	203,168	70,245	2,639,152
Total accumulated depreciation	7,017,568	413,868	70,245	7,361,191
Total capital assets being depreciated, net	5,946,133	202,158	-	6,148,291
Governmental activities, capital assets, net	6,015,895	202,158	-	6,218,053
Business type activities				
Furniture and Equipment	240,488	2,258	-	242,746
Less accumulated depreciation	186,573	12,095	-	198,668
Business type activities capital assets, net	53,915	(9,837)	-	44,078
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				413,868
Business type activities:				
Food service operations				12,095

(4) Bonds Payable

Details of the District's June 30, 2007 bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 1993			
	Rates %	Interest \$	Principal \$	Total \$
2008	3.80-3.90	42,680	370,000	412,680
2009	4.00	28,250	400,000	428,250
2010	4.00-4.125	12,250	400,000	412,250
Total		83,180	1,170,000	1,253,180

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$363,653, \$360,746, and \$357,726 respectively, equal to the required contributions for each year.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$353,856 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	<u>Capital Lease Payable</u>	<u>General Obligation Bonds</u>	<u>Early Retirement</u>	<u>Midland Power</u>	<u>Total</u>
Balance beginning of year	\$207,985	1,510,000	193,938	24,038	1,935,961
Additions	209,583	-	20,013	20,013	229,596
Reductions	<u>148,992</u>	<u>340,000</u>	<u>149,882</u>	<u>149,882</u>	<u>662,912</u>
Balance end of year	<u>\$268,576</u>	<u>1,170,000</u>	<u>64,069</u>	<u>-</u>	<u>1,502,645</u>

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's salary calculated by using the current year regular salary schedule, less the current year base pay. Early retirement benefits paid during the year ended June 30, 2007 totaled \$149,882.

(9) Midland Power Notes Payable

During the fiscal year ending June 30, 2000, the District borrowed \$168,265 from Midland Power Cooperative for the purpose of adding a Wide Area Network between Jefferson and Scranton as well as for the upgrading of equipment in the business/office education lab. The loan is interest free and will be repaid in seven annual installments of \$24,038 beginning July 1, 2000. The note was paid in full in the 2007 fiscal year.

(10) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2006-07B	1/26/07	1/25/08	\$ 790,978	17,266	793,000	16,869
2007-08A	6/27/07	6/27/08	950,496	284	952,000	7,298
Total			<u>\$1,741,474</u>	<u>17,550</u>	<u>1,745,000</u>	<u>24,167</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2006-07B	\$ -	115,500	115,500	-

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-07A	4.50%	5.676%
2006-07B	4.25%	5.315%
2007-08A	4.50%	5.455%

(11) Risk Management

Jefferson-Scranton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Capital Leases

The District has a \$261,354 lease for the acquisition of computers that requires annual payments of \$65,339 that will be completed in Fiscal Year 2010.

The District has a lease for the acquisition of computers that requires annual payments of \$14,639. This lease was fully paid off in fiscal year 2007.

The District has a lease for the purchase of school buses that requires three annual payments of \$74,477. The first payment was made in fiscal year 2007 and will be paid off in fiscal year 2009.

(13) Commitments

In November 2007, the District approved the sale of \$3,195,000 of School Infrastructure Sales and Services Tax Revenue Bonds. Proceeds will be used for additions and improvements to existing facilities. Principal and interest will be paid from proceeds of the one cent sales tax for schools.

Required Supplementary Information

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts	Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final
	\$	\$	\$	\$	\$
Revenues:					
Local sources	5,924,014	530,987	6,455,001	6,099,607	6,099,607
State sources	5,001,267	6,080	5,007,347	5,265,934	5,265,934
Federal sources	292,548	219,666	512,214	652,000	652,000
Total revenues	11,217,829	756,733	11,974,562	12,017,541	12,017,541
Expenditures:					
Instruction	6,848,967	235,090	7,084,057	7,158,554	7,158,554
Support services	3,498,580	-	3,498,580	3,358,500	3,634,500
Non-instructional programs	10,000	481,990	491,990	577,443	527,443
Other expenditures	1,365,755	-	1,365,755	1,545,282	1,745,282
Total expenditures	11,723,302	717,080	12,440,382	12,639,779	13,065,779
Excess (deficiency) of revenues over (under) expenditures	(505,473)	39,653	(465,820)	(622,238)	(1,048,238)
Other financing sources (uses)	209,583	-	209,583	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(295,890)	39,653	(256,237)	(622,238)	(1,048,238)
Balance beginning of year	784,166	184,785	968,951	1,284,993	1,284,993
Balance end of year	488,276	224,438	712,714	662,755	236,755

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$426,000.

During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2007

	Management	Student Activity	Total
	\$	\$	\$
Assets			
Cash and pooled investments	202	238,459	238,661
Property tax receivable:			
Current year	5,097	-	5,097
Succeeding year	225,000	-	225,000
Other receivables	-	4,438	4,438
Total assets	<u>230,299</u>	<u>242,897</u>	<u>473,196</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	191	-	191
Deferred revenue:			
Succeeding year property tax	225,000	-	225,000
	<u>225,191</u>	<u>-</u>	<u>225,191</u>
Fund balance:			
Unreserved fund balances	5,108	242,897	248,005
Total liabilities and fund balances	<u>230,299</u>	<u>242,897</u>	<u>473,196</u>

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2007

	<u>Management</u>	<u>Student</u> <u>Activity</u>	<u>Total</u>
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	281,084	-	281,084
Other	15,166	360,231	375,397
State sources	194	-	194
Total revenues	<u>296,444</u>	<u>360,231</u>	<u>656,675</u>
Expenditures:			
Instruction	213,589	345,785	559,374
Support services:			
Administration services	5,787	-	5,787
Plant operation and maintenance	66,723	-	66,723
Student transportation	14,711	-	14,711
Total expenditures	<u>300,810</u>	<u>345,785</u>	<u>646,595</u>
Excess (deficiency) of revenues over (under) expenditures	(4,366)	14,446	10,080
Fund balances beginning of year	<u>9,474</u>	<u>228,451</u>	<u>237,925</u>
Fund balances end of year	<u>5,108</u>	<u>242,897</u>	<u>248,005</u>

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
Elementary Activities:				
JE/SG Library	24	2,527	2,406	145
JE/SG Student Fund	1,775	2,373	2,729	1,419
South Grade Playground	105	-	-	105
South Grade Field Trip	400	109	-	509
	<u>2,304</u>	<u>5,009</u>	<u>5,135</u>	<u>2,178</u>
Scranton Activities:				
Scranton Student Fund	2,104	3,256	1,783	3,577
Scranton Instrumental Music	1,497	1,455	2,076	876
Scranton Library	613	3,609	3,669	553
Scranton 5th Grade Snack Shop	198	584	704	78
Scranton Nurse Emergency Fund	572	400	46	926
	<u>4,984</u>	<u>9,304</u>	<u>8,278</u>	<u>6,010</u>
Middle School:				
Middle School Library	100	-	97	3
Middle School Music	(2,236)	14,223	12,466	(479)
Middle School Student Fund	3,135	38,003	36,103	5,035
Middle School Yearbook	4,380	970	44	5,306
	<u>5,379</u>	<u>53,196</u>	<u>48,710</u>	<u>9,865</u>
Athletics:				
Baseball	4,649	5,560	8,921	1,288
Boys Basketball	8,459	5,609	7,782	6,286
Boys Golf	107	544	1,674	(1,023)
Boys Track	-	4,045	5,075	(1,030)
Cheerleaders	3,463	6,267	6,680	3,050
Cross Country	1,726	2,186	2,417	1,495
Football	20,562	44,239	48,915	15,886
Girls Basketball	5,666	13,377	15,576	3,467
Girls Golf	856	-	879	(23)
Girls Track	-	3,512	4,925	(1,413)
Miscellaneous Athletic Activity	994	67	3,681	(2,620)
Softball	(1,892)	5,829	3,743	194
Tournaments	118	22,556	22,822	(148)
Volleyball	2,806	5,064	7,134	736
Wrestling	(1,606)	10,000	6,589	1,805
Concessions	-	-	-	-
	<u>45,908</u>	<u>128,855</u>	<u>146,813</u>	<u>27,950</u>
Athletic Fundraisers	<u>75,855</u>	<u>17,620</u>	<u>3,464</u>	<u>90,011</u>

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
High School Clubs/Organizations:				
Art Club	1,024	2,156	2,825	355
Business Professional of America	1,363	16	128	1,251
Drama	138	-	-	138
Fashion Club	869	2,493	2,402	960
FFA	2,252	15,595	13,771	4,076
French Club	3,959	1,064	624	4,399
FCCLA	-	537	843	(306)
Instrumental Music	1,919	8,212	8,472	1,659
International Club	444	-	-	444
Pre-school Home Economics	586	2,658	1,849	1,395
Ram Restaurant	5,030	19,833	17,548	7,315
Juvenile Court Program	391	86	223	254
Spanish	3,431	7,713	4,405	6,739
Speech	4,019	5,597	6,190	3,426
VICA Club	(3,018)	4,010	4,065	(3,073)
Debate Club	477	-	-	477
Vocal Music	1,458	24,616	25,342	732
Yearbook	(1,514)	2,897	4,156	(2,773)
Flags	2,602	1,217	2,854	965
Ram Trolley	4,571	909	1,237	4,243
	<u>30,001</u>	<u>99,609</u>	<u>96,934</u>	<u>32,676</u>
High School Activities:				
HSTW Literacy Committee	-	2,714	1,759	955
Industrial Technology Donations	4,273	(498)	2,391	1,384
Industrial Students	(6,062)	13,572	14,306	(6,796)
Physics Club	124	-	-	124
High School Library Memorial	524	(289)	212	23
Senior High Student Council	897	8,554	7,056	2,395
National Honor Society	406	402	260	548
	<u>162</u>	<u>24,455</u>	<u>25,984</u>	<u>(1,367)</u>
Graduating Class:				
Class of 2007	602	877	1,458	21
Class of 2008	808	3,138	4,174	(228)
Class of 2009	-	1,030	306	724
Class of 2010	-	-	30	(30)
	<u>1,410</u>	<u>5,045</u>	<u>5,968</u>	<u>487</u>
Miscellaneous Funds	<u>3,183</u>	<u>2,590</u>	<u>2,474</u>	<u>3,299</u>

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
Concessions:				
JE Concession	829	187	410	606
South Grade Concession	777	84	190	671
Scranton Concession	(123)	291	184	(16)
Middle School Concession	924	149	685	388
High School Concession	31	869	556	344
	<u>2,438</u>	<u>1,580</u>	<u>2,025</u>	<u>1,993</u>
Interest Income	<u>56,827</u>	<u>12,968</u>	<u>-</u>	<u>69,795</u>
Totals	<u>228,451</u>	<u>360,231</u>	<u>345,785</u>	<u>242,897</u>

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,737,618	4,571,222	4,369,020	4,207,481
Tuition	698,915	656,603	702,194	728,523
Other	487,481	521,277	470,621	463,421
State sources	5,001,267	4,967,550	4,920,787	4,601,164
Federal sources	292,548	369,102	430,901	421,010
Total	<u>11,217,829</u>	<u>11,085,754</u>	<u>10,893,523</u>	<u>10,421,599</u>
Expenditures:				
Instruction	6,848,967	6,904,128	6,645,489	6,628,501
Support services:				
Student	369,226	356,926	368,797	431,009
Instructional staff	158,277	167,782	549,337	475,930
Administration	1,149,767	1,111,324	775,419	738,984
Operation and maintenance of plant	1,113,984	1,082,224	983,789	925,616
Transportation	707,326	545,068	419,212	400,942
Non-instructional programs	10,000	10,250	10,707	10,000
Other expenditures:				
Facilities acquisition	436,953	291,613	345,363	213,019
Debt service:				
Principal	513,030	452,526	408,113	410,538
Interest and services	61,916	68,985	80,526	89,723
AEA flowthrough	353,856	344,408	343,759	347,828
Total	<u>11,723,302</u>	<u>11,335,234</u>	<u>10,930,511</u>	<u>10,672,090</u>

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Distribution	10.550	FY07	<u>23,510</u>
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY07	42,702
National School Lunch Program	10.555	FY07	<u>153,454</u>
			<u>196,156</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3195-G-07	150,731
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY07	4,590
Innovative Education Program Strategies	84.298	FY07	1,869
Grants for Assessments and Related Activities	84.369	FY07	7,966
Improving Teacher Quality - States Grants	84.367	FY07	49,490
Vocational Education - Basic Grants to States	84.048	FY07	44,930
Prairie Lakes Area Education Agency 8			
Special Education - Grants to States (IDEA Part B)	84.027	FY07	<u>55,209</u>
Total			<u>534,451</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards included the federal grant activity of Jefferson-Scranton Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of
Jefferson-Scranton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Jefferson-Scranton Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 29, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson-Scranton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Jefferson-Scranton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Jefferson-Scranton Community School District's financial statements that is more than inconsequential will not be prevented or detected by Jefferson-Scranton Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Jefferson-Scranton Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-II-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson-Scranton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jefferson-Scranton Community School District and other parties to whom Jefferson-Scranton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Jefferson-Scranton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

January 29, 2008

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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To the Board of Education of
Jefferson-Scranton Community School District:

Compliance

We have audited the compliance of Jefferson-Scranton Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Jefferson-Scranton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Jefferson-Scranton Community School District's management. Our responsibility is to express an opinion on Jefferson-Scranton Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson-Scranton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jefferson-Scranton Community School District's compliance with those requirements.

In our opinion Jefferson-Scranton Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Jefferson-Scranton Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Jefferson-Scranton Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be material weakness.

Jefferson-Scranton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs.

While we expressed our conclusions on the District's responses, we did not audit Jefferson-Scranton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jefferson-Scranton Community School District and other parties to whom Jefferson-Scranton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

January 29, 2008

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Education AgenciesSchool Nutrition Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jefferson-Scranton Community School District did not qualify as a low-risk auditee.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

07-II-A Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

07-II-B Credit Cards - We noted that each building administrator has a credit card in their possession.

Recommendation - Although no improprieties were noted, we recommend that the District limit the number of credit cards it uses and that possession of all cards be maintained by the District's business office. Cards may be checked out as necessary with a log being maintained by the District's business office.

Response - We will investigate possible alternatives to the current system.

Conclusion - Response accepted.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number: 84.101 Title I Grants to Local Education Agencies

Agency Number: 6219-G-07

Federal Award Year: 2007

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program

10.555 National School Lunch Program

Federal Award Year: 2007

US Department of Agriculture

Passed through Iowa Department of Education

07-III-A Segregation of Duties over Federal Funds - The District did not properly segregate custody, record-keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

07-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-IV-B Certified Budget - Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted in any of the four functions.

07-IV-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:
(continued) :

07-IV-F Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
David Pedersen Board President	Substitute teacher	\$94

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Mr. Pedersen do not appear to represent conflict of interest since the total is not more than \$2,500 for the fiscal year.

Recommendation - The District should consult legal counsel regarding these expenditures to ensure compliance with the Code of Iowa.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

07-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

07-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

07-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

07-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

07-IV-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.